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USLO PEKING

CINCPAC HONOLULU HI

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CINCPAC FOR POLAD

E.O. 11652: XGDS-2

TAGS: PFOR, HK

SUBJECT: THE POLITICAL CLIMATE IN HONG KONG

REF: A) HONG KONG 681; B) HONG KONG A-161, JUNE 21, 1974

SUMMARY: THE CONFLUENCE OF HONG KONG'S WORSENING ECONOMIC CONDITIONS AND SOCIAL PROBLEMS IS GENERATING INCREASED CRITICISM OF THE HONG KONG GOVERNMENT (HKG). SOME MEMBERS OF THE COMMUNITY ARE CONCERNED THAT THE LOCAL POT WILL BOIL. HOWEVER, THE COLONY'S POLITICAL SITUATION HAS CHANGED LITTLE IN THE PAST FEW MONTHS. WE ATTRIBUTE THE RELATIVELY STABLE POLITICAL CLIMATE TO THE BENIGN ATTITUDE OF PEKING AND ITS LOCAL APPENDAGES, TO THE

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HKG'S SEEMINGLY REMARKABLE ABILITY TO MUDDLE THROUGH (OFT-TIMES

BY DESIGN) AND TO THE ABASNECE OF A FOCAL ISSUE AROUND WHICH SUS-TAINED, POPULAR DISCONTENT CAN GENERATE SERIOUS CIVIL DISORDER. THUS, BARRING A CAUSE CELEBRE, SUCH AS CALLOUS, MASSIVE WORKER LAYOFFS WITHOUT AMELIORATING BENEFITS, HONG KONG POLICALLY IS LIKELY TO CONTINUE TO ROLL ALONG, HOPING AND WAITING FOR CONDITIONS TO IMPROVE. END SUMMARY.

1. THE DOWNWARD TREND OF ECONOMIC CONDITIONS IN HONG KONG CON-TINUES. ECONOMIC REVERBERATIONS FROM THE SLUMP IN HONG KONG'S PRINCIPAL OVERSEAS MARKETS HAVE CAUSED GROWING RANKS OF UNEM-PLOYED AND UNDER-EMPLOYED AND PROSPECTS OF MASSIVE UNEMPLOYMENT ARE FOREBODING. THE CANCELLATION OR INDEFINITE POSTPONEMENT OF TWO MAJOR INVESTMENT PROJECTS--THE SUBWAY METRO SYSTEM AND A PETRO-CHEMICAL PLANT--WHICH WOULD HAVE PROVIDED IMMEDIATE WORK FOR SOME OF HONG KONG'S JOB-SEEKERS DEALT THE COLONY AN ECONOMIC AND PSYCHOLOGICAL SETBACK. SEVERAL SMALLER BUT IMPORTANT PROJECTS, INCLUDING A \$US50 MILLION HOUSING COMPLEX, HAVE ALSO BEEN CANCELED. VARIOUS ECONOMIC INDICATORS OFFER LITTLE HOPE FOR DISPELLING AND PREVAILING PSYCHOLOGICAL ATMOSPHERE OF GENERAL MALAISE IN THE NEAR-TERM.

2. MANY FINANCIALLY HARD-PRESSED WORKERS, FACED WITH DWINDLING INCOME AND RISING COMMODITY PRICES, ALSO FIND THAT RENTS IN THE COLONY'S HOUSING ESTATES, WHICH SHELTER OVER 40 PERCENT OF THE LOCAL POPULACE, HAVE BEEN INCREASED. MORE WORKERS ARE LOOKING TO THE SLOW ACTING HKG BUREAURACY FOR FINANCIAL ASSISTANCE TO MEET THE HIGHER COST OF RENTS IN HOUSING ESTATES. A HIKE IN CHARGES FOR THE STAR FERRY--WHICH SPARKED THE 1966 RIOTS--HAS ALSO BEEN PROPOSED BY THE COMPANY. ADDITIONALLY, MANY BELIEVE THAT THE HKG APPROVAL FOR A RISE IN MONTHLY TELEPHONE CHARGES, ALBEIT A LEVY WHICH MUST BE BORNE PRIMARILY BY THE UPPER AND MIDDLE CLASSES, WILL TRIGGER APPLICATIONS FOR INCREASES BY OTHER PUBLIC UTILITY COMPANIES IN THE COLONY.

3. DURING THE PAST YEAR CRIME SHOT UP BY 40 PER CENT AND OTHER SOCIAL PORBLEMS ARE ALSO ON THE INCREASE. UP, TOO, IS THE NUMBER OF HAWKERS AS WORKERS ATTEMPT TO SUPPLEMENT DE-CLINING INCOMES. HOUSING AND EDUCATIONAL FACILITIES ARE SERIOUSLY OVERTAXED DESPITE LONG-TERM HKG PLANS WHICH ARE SLOWLY GETTING UNDERWAY. THESE FACTORS WERE ALL CITED BY THE HKG IN

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PREPARING THE PUBLIC FOR ITS RECENT CHANGE IN REFUGEE POLICY. THE LACK OF A GENERAL OUTCRY AGAINST THE GOVERNMENT'S POLICY TO RETURN REFUGEES APPREHENDED ENTERING THE COLONY FROM CHINA ATTESTS TO PUBLIC ACCEPTANCE OF THE FACT THAT OVERCROWDED SOCIAL AND EDUCATIONAL FACILITIES ARE BEING STRAINED TO THE BREAKING POINT. THESE STRAINS ARE POTENTIALLY DANGEROUS AND RECENTLY A ROUGH ATTEMPT BY A EUROPEAN POLICE OFFICER TO CLEAR A HAWKER AREA NEARLY SPARKED A MINI-CONFORNTATION AS A CROWD

GATHERED AND ATTEMPTED
TO OVERTURN THE POLICE VEHICLE.

4. LOCAL SOCIO-ECONOMIC CONDITIONS HAVE ALSO ENGENDERED INCREASED CRITICISM OF THE HKG LOCALLY AS WELL AS IN THE UK, AMONG THE MORE REFORM-MINDED MEMBERS OF THE RULING BRITISH LABOR GOVERNMENT. SEVERAL LABOR MEMBERS HAVE BEEN PARTICULARLY CRITICAL OF THE COLONIAL ADMINISTRATION AND HAVE DRAWN ATTENTION TO ALLEGATIONS CONTAINED IN "HONG KONG: A CASE TO ANSWER." THE PAMPHLET, PUBLISHED IN THE FALL OF 1974 BY A LONDON BASED GROUP CONTAINS NUMEROUS FACTUAL ERRORS BUT ITS BASIC CONDEMNATION OF SOCIAL ILLS HAS DRAWN CONSIDERABLE PUBLIC ATTENTION. IT ATTACKS THE COLONIAL ADMINISTRATION'S FAILURE TO PROVIDE GREATER POLITICAL FREEDOMS AND TO INCREASE LOCAL PARTICIPATION IN GOVERNMENT. ITS ANONYMOUS HONG KONG AUTHORS ALSO CITE THE HKG'S POOR PERFORMANCE IN AREAS OF SOCIAL SERVICE AND CHARGE THAT CORRUPTION HERE IS RIFE, ESPECIALLY WITHIN THE POLICE FORCE.

5. THE HKG'S SUCCESS IN EXTRADITING EX-POLICE SUPERINTENDENT PETER DOGER (REF B) FROM THE UK FOR TRIAL ON CORRUPTION CHARGES HAS PROVED A PLUS FOR THE GOVERNMENT'S TARNISHED IMAGE. FAILURE TO OBTAIN A CONVICTION IS THE CASE, HOWEVER, WOULD CANCEL ANY MILEAGE THE HKG DERIVED FROM GODBER'S EXTRADITION. THE "TAFFY" HUNT AFFAIR, INVOLVING A CONVICTED FORMER HK POLICE OFFICER WHO IS LIVING IN LUXURIOUS CIRCUMSTANCES NOW IN SPAIN, HAS GIVEN FURTHER CURRENCY TO ALLEGATIONS THAT CORRUPTION IS WIDESPREAD WITHIN THE HKG AND ITS POLICE FORCE. THESE CHARGES MAY COME AS AN OSTENSIBLE SURPRISE TO BRITISH OFFICIALS. BUT FOR THE MAJORITY OF HONG KONG'S RESIDENTS, PAYMENT OF "TEA MONEY" HAS LONG BEEN A PART OF THE WAY OF LIFE IN THE COLONY. THE HUNT STORY HAS REPORTEDLY TRIGGERED THE RESIGNATIONS OF SEVERAL TOP EUROPEAN POLICE OFFICIALS; HOWEVER, THE REVELATIONS DO NOT SEEM SECRET

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TO POSE ANY NEW OR MAJOR THREAT TO THE MAINTENANCE OF LAW AND ORDER WITHIN THE COLONY.

6. THIS MIX OF THE COLONY'S CURRENT ECONOMIC WOES AND SOCIAL PROBLEMS IS A SOURCE OF CONCERN TO MANY. SOME MEMBERS OF THE COMMUNITY HAVE EXPRESSED RENEWED CONCERN THAT THE LOCAL POT WILL BOIL. THERE IS CERTAINLY A FEELING OF UNEASE AND ESPECIALLY CONCERN THAT THE ECONOMY WILL SUFFER FURTHER SETBACKS. MANY ARE DISCONTENTED BUT THEIR DISCONTENT THUS FAR HAS BEEN CONFINED TO GRUMBLINGS RATHER THAN DISRUPTIVE MASS ACTION. HOWEVER, SPOKESMEN FOR THE HONG KONG COUNCIL OF SOCIAL AGENCIES WHICH CONSISTS OF 100 AGENCIES WHICH MINISTER TO LOWER AND MIDDLE INCOME GROUPS, RECENTLY WARNED THAT "THE BREAKING POINT IS NEAR" AND THAT THE "SLIGHTEST GESTURE" BY THE HKG IN NEGLECTING THE PUBLIC LIVELIHOOD COULD SPARK TROUBLE.

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7. HKG OFFICIALS, THEMSELVES, ARE CONTINUING TO KEEP THEIR EARS TO THE GROUND ALERT TO POTENTIAL AREAS OF INSTABILITY WHICH COULD GIVE RISE TO CIVIL DISTURBANCES. AT PRESENT, THERE IS INCREASED VOCALIZING OF DISCONTENT BUT BASICALLY THE POLITICAL SITUATION HAS CHANGED ITTLE SINCE THE SUMMER OF 1974.

8. A KEY ELEMENT IN THE COLONY'S RELATIVELY STABLE POLITICAL CLIMATE IS THE ATTITUDE OF PEKING AND ITS LOCAL APPENDAGES. RECENT INTELLIGENCE REPORTS CONFIRM CHINA'S INTEREST IN MAINTAINING THE COLONY'S ECONOMIC HEALTH AND POLITICAL VIABILITY. LOCAL CADRE HAVE BEEN INSTRUCTED TO AVOID ROCKING THE BOAT ALTHOUGH SUCH A POLICY IS OPPOSED BY SOME YOUNGER UNION MEMBERS. THE PRO-PEKING UNIONS, WHICH CONSTITUTE THE SINGLE MOST IMPOR-

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TANT SOURCE OF POTENTIAL LEADERSHIP FOR SUSTAINED AND PROLONGED DISORDER, ARE MAINTAING A LOW PROFILE POLITICALLY AND PURSUING SOCIAL WELFARE PROGRAMS (REF B). STICKING TO BREAD AND BUTTER ISSUES, THE UNIONS ARE QUITEMLY URGING HONG KONG OFFICIALS TO BE MORE REPSONSIEV TO WORKERS' REQUESTS FOR FINANCIAL ASSISTANCE TO MEET THE RISING COST OF LIVING.

9. LIKEWISE, COMMUNIST NEWSPAPERS HAVE REFRAINED FROM EXPLOITING THE PRESENT ECONOMIC CLIMATE. ON THE ISSUE OF CORRUPTION, THE LCOAL PRO-PRC PRESS HAS PROVIDED ITS READERS ONLY BRIEF, CURSORY NEWS REPORTS. PEKING, HOWEVER, IS NOT NEGLECTING TO BURNISH THE IMAGE OF ITS CONCERN FOR THE HONG KONG POPULACE.

10. FOR THE FIRST TIME, TWO HONG KONG RESIDENTS, MR. FEI YI-MING, PUBLISHER OF THE PRC-OWNED TA KUNG APO, AND MR. YEUNG KWONG, CHAIRMAN OF THE HK FEDERATION OF TRADE UNIONS, HAVE BEEN ELECTED TO THE PRESIDIUM OF CHINA'S NATIONAL PEOPLE'S CONGRESS. THEIR ELECTION CLEARLY CONVEYS PEKING'S SATISFACTION WITH THEIR PERFORMANCE AS HEADS OF LOCAL COMMUNIST ORGANIZATIONS.

11. STUDENT ACTIVISTS HAVE MADE SPORADIC EFFORTS IN THE FACE OF THE BASIC INERTIA OF THE LABOR UNIONS TO AROUSE POLITICAL ACTION. AS WAS THE CASE DURINGHCHE SPRING AND FALL OF '74 SUCH STUDENT-PROMOTED RALLIES STIL FAIL TO ATTRACT MUCH PUBLIC SUPPORT. MOREOVER, THEY REMAIN BADLY SPLIT. THE MOST VOCAL FACTION, THE "NEW 70'S," IS EQUALLY CRITICAL OF BOTH THE PRC AND THE HKG, LEADING THE PRO-PEKING ORGANIZATIONS TO BRAND THEM AS "TROTSKYITES."

12. EQUALLY IMPORTANT AS A STABILIZING FACTOR IS THE HKG'S SEEMINGLY UNFAILING ABILITY TO MUDDLE THROUGH, ESPECAILLY ON THE ECONOMIC SIDE (REF A). AT TIMES, EVEN PROVIDENCE SEEMS TO LEND A HAND, AS WHEN THE SEASONALLY LATE TYPHOON CARMEN BROUGHT WELCOME RAINS WHICH ENDED THE COLONY'S WATER SHORTAGE AND SPARED HK RESIDENTS THE NECESSITY OF ENDURING A LONG DRY SEASON WITH PROGRESSIVELY STRINGENT WATER RATIONING. BUT, THERE IS ALSO A DEGREE OF METHOD IN THE HKG'S MUDDLEDNESS. HKG OFFICIALS OFTEN DELIBERATELY "GO-SLOW" IN RESPONDING TO STUDENT ACTIVISTS' REQUEST FOR PERMITS FOR DEMONSTRATIONS AND PROTESTS, THEREBY ALLOWING ANY POPULAR INTEREST OR ENTHU-

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SIASM THEY MAY HAVE GENERATED AROUND AN ISSUE TO COOL, IF NOT

COMPLETELY DISSIPATE. AGAIN, THE HKG'S HOLDING IN ABEYANCE FOR SOME TIME A DECISION ON THE TELEPHONE COMPANY'S PROPOSED 70 PER CENT INCREASE IN CHARGES, WHICH DREW HEAVY CRITICISM, MADE APPROVAL FOR A LOWER 30 PERCENT INCREASE ALL THE MORE ACCEPTABLE TO SUBSCRIBERS. THE HKG RECENTLY ANNOUNCED SOME \$2.4 MILLION WAS AVAILABLE TO THOSE QUALIFYING FOR FINANCIAL ASSISTANCE. THE RECENT ABOVE-MENTIONED POLICE/HAWKER INCIDENT IS THE EXCEPTION RATHER THAN THE RULE. POLICE OFFICIALS ARE EFFICIENT AND GENERALLY WELL-TRAINED IN HANDLING OF POTENTIALLY VOLATILE INCIDENTS. AS EX-POLICE SUPERINTENDENT HUNT NOTED, HE WAS CORRUPT BUT COMPETENT. DURING A RECENT HONG KONG VISIT, IN RESPONDING TO A PRESS QUERY, BRITISH UNDER SECRETARY FOR COMMONWEALTH AND FOREIGN AFFAIRS, LORD GORONWY-ROBERTS INDICATED THAT THE BRITISH LABOR GOVERNMENT WOULD BE WILLING TO CONSIDER AN ELECTED LEGISLATIVE COUNCIL FOR HONG KONG IF SUCH WAS THE WISH OF THE POPULATION. ALTHOUGH HIS REMARKS DREW LITTLE PUBLIC ATTENTION OR ENTHUSIASM, THE HKG INFORMATION SERVICE MOVED QUICKLY TO DAMPEN PRESS SPECULATION AND TO REASSURE CHINA THAT NO CHANGE WAS CONTEMPLATED AND THAT IT WAS RECOGNIZED THAT HONG KONG'S STATUS RESTED ON SPECIAL CIRCUMSTANCES.

13. WHILE THE VOLUME OF DISCONTENT, AND CRITICISM OF THE HKG MAY INCREASE, HONG KONG'S POPULACE REALIZED THAT THE COLONY IS NOT ALONE IN TRAVERSING TROUBLED WATERS. WHERE POSSIBLE, EMPLOYERS HAVE TRIED TO SHARE WHAT WORK THERE IS BY RESORTING TO SHORTER WORK HOURS RATHER THAN LAYOFFS. DESPITE THE PRC MEDIA'S AVOWED DECLARATIONS OF HOW HAPPY ALL ARE IN THE SOCIALIST MOTHERLAND, FEW HONG KONG RESIDENTS WOULD BE WILLING TO OPT FOR IMPLEMENTING THE NEIGHBORING CHINA MODEL HERE.

14. THUS FAR, THERE HAS BEEN NO FOCUS AND/OR CAUSE CELEBRE AROUND WHICH DISCONTENT AND DISSIDENT ELEMENTS CAN COALESCE. BARRING SUCH A DEVELOPMENT OR MASSIVE LAYOFFS WITHOUT PROVISION FOR WORKER COMPENSATION TO THE LABORING FORCE, HONG KONG'S POLITICAL SCENE WILL PARALLEL THE ECONOMIC OUTLOOK.

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